

Cross Timbers Business Report

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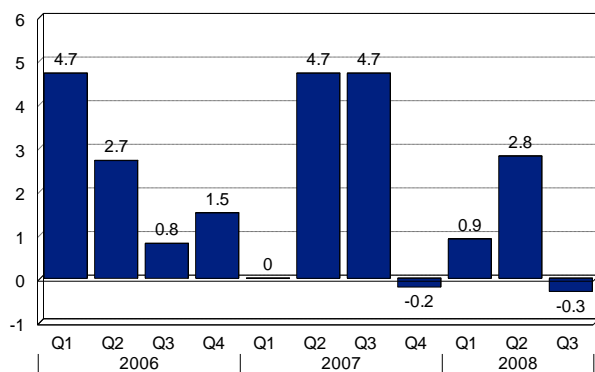
Output Drop Feeds Recession Fears

By Jessica Gruetzner

Overall real gross domestic product (GDP) for the United States dropped drastically from a 2.8 percent growth rate in the second quarter of 2008 to a decline of 0.3 percent in the third quarter. This falloff resulted from the weakest consumer spending in 28 years and is giving the signal that the economy could be headed into a recession. The GDP number marked the worst showing since a decline of 1.4 percent in the third quarter of 2001.

Changes in Real GDP

Annual Percentage Rates



Source: Bureau of Economic Analysis, U. S. Department of Commerce

GDP measures the total flow of goods and services produced in the United States, and consumer spending accounts for two-thirds of its value. The shocking drop between the second and third quarters of 2008 may be blamed on the housing and financial crisis. Consumer spending dropped 3.1 percent in the third quarter after increasing 1.2 percent in the second period.

Durable goods purchases plummeted 14.1 percent last quarter after dropping 2.8 percent in the second quarter. Non-durable goods also dropped by 6.4 percent. Services experienced a gain of 0.6 percent.

The housing sector continued to plunge and contributed to a 19.1 percent decrease in the third-quarter's residential fixed investment, which reduced overall GDP by 0.72 percentage point.

International trade actually gave the economy a helping hand, increasing GDP 1.13 percentage points. Exports in-

creased 5.9 percent in the third quarter while imports decreased 1.9 percent. Business spending (investment) decreased 1.0 percent while federal government spending rose 13.8 percent.

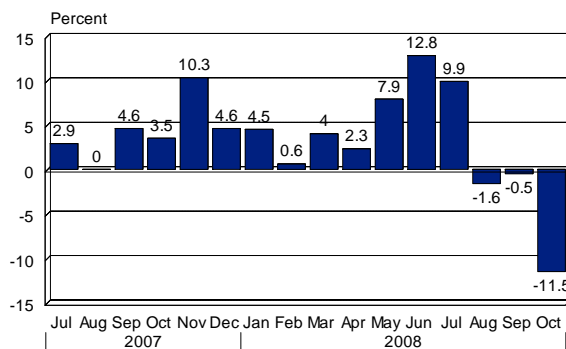
The price index for gross domestic purchases, which measures prices paid by U.S. consumers, rose 4.8 percent in the third quarter after increasing 4.2 percent in the previous period.

GDP data are collected and reported by the Department of Commerce on a quarterly basis. The data reported here reflect advanced estimates released by the Bureau of Economic Analysis. These figures will be revised November 25, 2008.

Jessica Gruetzner is a senior marketing major at Tarleton State University.

INFLATION RATES

(Annual Changes in Consumer Prices)



Source: Bureau of Labor Statistics

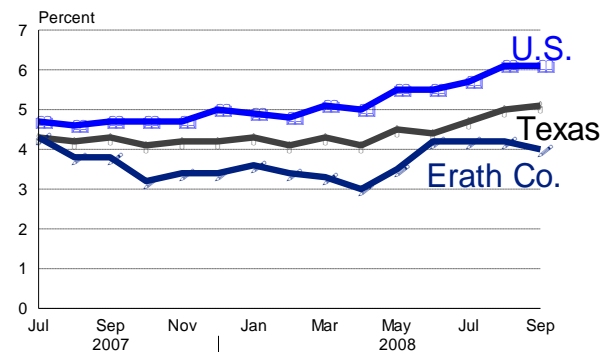
As a result of lower prices for gasoline, transportation, housing, and clothing, the consumer price index, the nation's most often cited inflation measure dropped at an almost 12 percent annual rate in October. This movement followed smaller declines in August and September. However, because of strong price gains in during the summer months (driven by higher gasoline prices), the October consumer price index remains 3.6 percent above the same period last year.

Local Unemployment Remains below State, National Averages

By Mike Barnette

The third quarter of 2008 saw the unemployment rates for the United States and Texas continue to increase. After closing the second quarter with a 5.5 percent unemployment rate, the United States' jobless figure climbed to 6.1 percent by the third quarter's end. The nation's 5.4 percent average unemployment rate for the first nine months of 2008 is almost a full percentage point higher than the average figure for the previous year.

UNEMPLOYMENT RATES



Sources: U.S. Bureau of Labor Statistics and Texas Workforce Commission

The state of Texas experienced a similar trend, posting 5.1 percent unemployment in September after climbing steadily from 4.4 percent in June. Texas' average jobless rate for the January-September 2008 period was 4.5 percent, which is slightly higher than the 4.3 percent value noted for the same period last year.

Unemployment rates on the national level have not been this high since hovering above the 6 percent mark in the second and third quarters of 2003 and the statewide unemployment has not hit 5.1 percent since August 2006.

Erath County's jobless rate remained steady in the third quarter after experiencing a spike from 3.0 percent in April to 4.2 percent in June. The county's jobless count averaged 3.7 percent for the January-September period of 2008. This value is slightly below the 3.8 percent mean posted for the same period in 2007.

An examination of the average unemployment rates in surrounding counties through September 2008 reveal few changes in jobless tallies from the year before.

Bosque County accumulated a 4.5 percent average unemployment rate through three quarters of 2008. This figure compares favorably to averages of 4.6 percent in 2007 and 4.7 percent in 2006.

Eastland County's unemployment numbers showed a slight increase from 4.4 percent in 2007 to 4.5 percent in 2008.

Comanche County's average jobless rate fell from 4.2 percent to 3.8 percent between 2007 and 2008, while Hamilton County's average unemployment figure remained at 3.8 percent.

The U.S. Bureau of Labor Statistics collects and reports national and state unemployment statistics on a monthly basis, while the Texas Workforce Commission manages county and other local data. National and state data are adjusted for normal seasonal fluctuations, while county figures are unadjusted.

Mike Barnette, is a senior management major at Tarleton State University

Cross Timbers Counties Post Income Gains

By Nelly DiCiccio

All five Cross Timbers Counties saw increases in their per capita personal incomes between 2005 and 2006. Eastland County posted the highest percentage increase in this period, while Erath County reported the lowest.

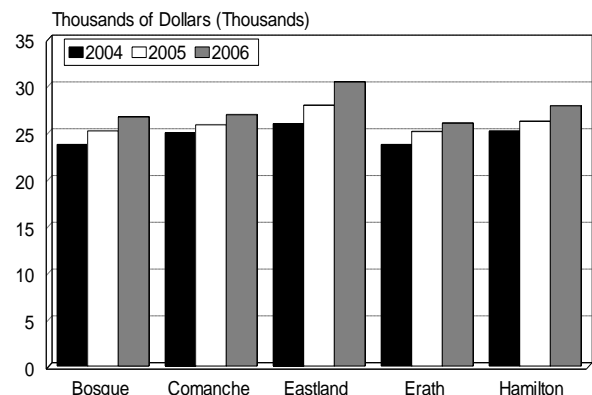
Between 2005 and 2006, Bosque County's per capita personal income rose 5.9 percent from \$25,137 to \$26,619. Despite this increase, Bosque's ranking remained constant at 141st among Texas' 254 counties.

Comanche County also posted an increase in per capita personal income over this period. Its total of \$26,862 for 2006 is 4.2 percent higher than the 2005 figure. Despite this gain, Comanche's overall ranking among Texas counties slipped from 127th to 132nd.

In Eastland County, per capita personal income rose by 9.0 percent from \$27,853 in 2005 to \$30,354 in 2006 posting the largest percentage increase in personal income in the Cross Timbers area. This increase improved the county's state ranking from 81st to 66th.

Per Capita Personal Income

Area Counties



Source: U. S. Dept. of Commerce

Erath County's per capita personal income rose by 3.5 percent to \$25,945 between 2005 and 2006. Erath County posted the lowest personal income gain in the Cross Timbers

Area. This anemic growth dropped Erath's ranking from 144th to 154th among Texas counties.

Hamilton County noted a per capita income value of 27,818 in 2006. This figure represents a 6.4 percent gain over the value noted the previous year. Hamilton County posted an

improvement in ranking from 119th to 116th among Texas' counties.

The United States Bureau of Economic Analysis collects and reports personal income data on an annual basis.

Nelly DiCiccio is pursuing a Master of Business Administration degree at Tarleton State University.

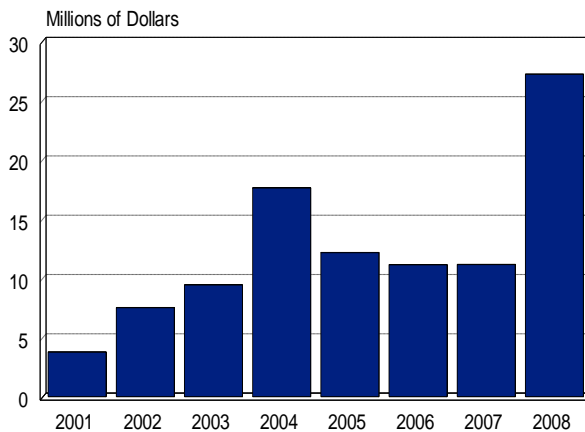
Building Permit Values Skyrocket in 2008

By Jessica Moorhouse

Total January-September 2008 building permit values in Stephenville increased by more than 140 percent over the figure for 2007 and surged an astronomical 624 percent over the value for 2001, according to City of Stephenville reports.

BUILDING PERMITS

Stephenville, January - September



Source: City of Stephenville

After a two-year decline in building permit values from 2004 to 2006 and a slight rise of less than 1 percent in 2007, construction values in 2008 jumped to an estimated \$27.2 million, compared to \$11.1 million in 2007. In dollar values, new permits in 2008 spiked in January with the issuance of a permit for the 192-unit apartment complex located at 2825 West Frey. Other significant permits include one in March for the Community Nursing Home, another in June for the Super 8 Hotel, and still another in September for the construction of a science lab addition for Stephenville Independent School District. The value of the construction projects for the month of January alone totaled over \$9.7 million, constituting more than 35 percent of total value of 2008 construction values.

City residents should note that all construction projects require permits, which may be obtained through Troy Curtis, Building Inspector for the City of Stephenville.

Information concerning permits for residential and commercial properties can be found on the city web site (<http://www.ci.stephenville.tx.us/>), or by calling the inspector's office at 254-965-7887.

Jessica Moorhouse is a senior accounting major at Tarleton State University

Sales Tax Allocations Rebound

By Devon Homeyer

According to the State Comptroller's Office, only Eastland and Stephenville reported increases in January-October sales tax allocations between 2006 and 2007. All five cities posted advances for the same months of this year, compared to last year's level, however.

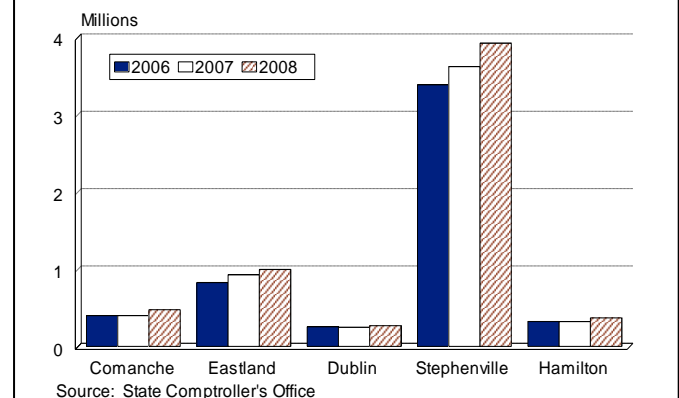
Comanche's cumulative sales tax allocations for October 2008 were \$474,553, which was significantly higher than the \$397,438 reported for the same period in 2007. This year's figure is also higher than the \$397,643 total reported for the same period in 2006.

Eastland had total sales tax allocations of \$994,497 for the first ten months of this year. This figure represents a gain of 7.5 percent over the same period last year and a jump of 20.5 percent over the value posted in 2006.

Dublin noted the lowest two-year growth of any Cross Timbers city. Still, its \$267,948 allocation figure was 9.0 percent greater than the 2007 value and 5.7 percent above the 2006 aggregate.

SALES TAX ALLOCATIONS

Area Cities, January - October



Source: State Comptroller's Office

Stephenville reported the largest allocation total for the first ten months of this year. Its \$3,918,796 tax rebate figure represents gains of 8.3 percent and 15.9 percent over the values noted the two previous years.

Hamilton reported \$368,988 in total allocations for the January-October period of this year. This value is 15.1 percent greater than the figure noted the year before and is 14.8 percent above the value reported in 2006.

The State Comptroller's Office releases sales tax allocation reports for all Texas cities, counties and taxing authorities on a monthly basis.

Devon Homeyer is a senior interdisciplinary business major at Tarleton State University

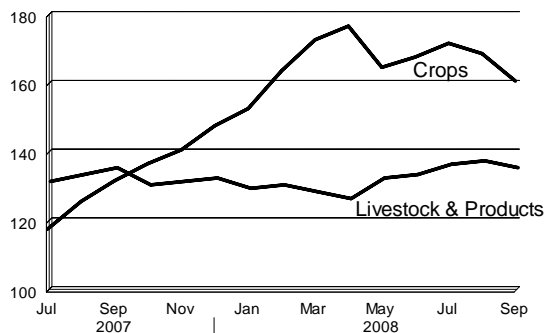
Agricultural Prices Stabilize in Recent Months

By Citlalli E. Najera

Texas farmers and ranchers have noted an increase in the prices of crops and virtually no change in the prices of livestock and products over the past year. Nation wide, prices received by farmers increased at a slower rate than prices paid, which resulted in a decline in the purchasing power of farm products.

INDEX NUMBERS OF PRICES

Received by Texas Farmers and Ranchers (1990-1992=100)



Source: Texas Agricultural Statistics Service

The index of prices for all farm products increased from 134 percent of the 1990-1992 average in September 2007 to

144 percent in September 2008. The crop price index jumped from 132 in September 2007 to 177 in April, then declined to 161 this September. Texas farmers and ranchers saw little change in the prices of livestock and products over the past year. The value of this index in September 2007 was identical to that recorded the previous September.

Beef Cattle prices averaged \$95.30 per hundredweight in September 2008. This value is only 0.8 percent greater than the figure posted the previous September. Milk prices decreased from \$22.50 per hundredweight in September 2007 to \$18.50 this September, reflecting a 17.8 percent decline.

The index of prices received by all U.S. farmers advanced by 10.0 percent over the past year, while the index of prices paid jumped at almost twice that rate. These movements resulted in a decline in the purchasing power ratio of farm products from 86.4 percent of the 1990-1992 level last September to 79.4 percent this year.

The Texas Agricultural Statistics Service collects and reports output and price levels of key agricultural products on a monthly basis.

Citlalli E. Najera is a senior accounting major at Tarleton State University

The College of Business Administration at Tarleton State University presents the Cross Timbers Business Report (<http://www.tarleton.edu/~econ/ctbr.htm>) as a service to local residents. It is written by the members of Delta Mu Delta, a business honor society, as well as other involved students. This report is distributed without charge to any interested person or organization. To subscribe to this publication or make suggestions regarding its content, write William L. Beaty, Editor, P.O. Box T-920, Tarleton Station, TX 76402, phone 254-968-9622, or E-mail beaty@tarleton.edu.